



General Assembly

Substitute Bill No. 778

January Session, 2017

* _____SB00778ET_____031717_____*

***AN ACT CONCERNING EXPENSES FOR CONSULTANTS BORNE BY
TELECOMMUNICATIONS PROVIDERS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 16-8 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2017*):

4 (b) (1) The authority may employ professional personnel to perform
5 management audits. The authority shall promptly establish such
6 procedures as it deems necessary or desirable to provide for
7 management audits to be performed on a regular or irregular schedule
8 on all or any portion of the operating procedures and any other
9 internal workings of any public service company, including the
10 relationship between any public service company and a related
11 holding company or subsidiary, consistent with the provisions of
12 section 16-8c, provided no such audit shall be performed on a
13 community antenna television company, except with regard to any
14 noncable communications services which the company may provide,
15 or when (A) such an audit is necessary for the authority to perform its
16 regulatory functions under the Communications Act of 1934, 47 USC
17 151, et seq., as amended from time to time, other federal law or state
18 law, (B) the cost of such an audit is warranted by a reasonably
19 foreseeable financial, safety or service benefit to subscribers of the

20 company which is the subject of such an audit, and (C) such an audit is
21 restricted to examination of the operating procedures that affect
22 operations within the state.

23 (2) In any case where the authority determines that an audit is
24 necessary or desirable, it may (A) order the audit to be performed by
25 one of the management audit teams, (B) require the affected company
26 to perform the audit utilizing the company's own internal
27 management audit staff as supervised by designated members of the
28 authority's staff, or (C) require that the audit be performed under the
29 supervision of designated members of the authority's staff by an
30 independent management consulting firm selected by the authority, in
31 consultation with the affected company. If the affected company has
32 more than seventy-five thousand customers, such independent
33 management consulting firm shall be of nationally recognized stature.
34 All reasonable and proper expenses of the audits, including, but not
35 limited to, the costs associated with the audit firm's testimony at a
36 public hearing or other proceeding, shall be borne by the affected
37 companies and shall be paid by such companies at such times and in
38 such manner as the authority directs, provided such reasonable and
39 proper expenses borne by a (i) public service company providing
40 telecommunications services, (ii) telecommunications company, or (iii)
41 person seeking certification to provide telecommunications services,
42 shall not exceed two hundred thousand dollars per calendar year for
43 all dockets and audits performed pursuant to this section and section
44 16-18a, as amended by this act.

45 (3) For purposes of this section, a complete audit shall consist of (A)
46 a diagnostic review of all functions of the audited company, which
47 shall include, but not be limited to, documentation of the operations of
48 the company, assessment of the company's system of internal controls,
49 and identification of any areas of the company which may require
50 subsequent audits, and (B) the performance of subsequent focused
51 audits identified in the diagnostic review and determined necessary by
52 the authority. All audits performed pursuant to this section shall be

53 performed in accordance with generally accepted management audit
54 standards. The authority shall adopt regulations in accordance with
55 the provisions of chapter 54 setting forth such generally accepted
56 management audit standards. Each audit of a community antenna
57 television company shall be consistent with the provisions of the
58 Communications Act of 1934, 47 USC 151, et seq., as amended from
59 time to time, and of any other applicable federal law. The authority
60 shall certify whether a portion of an audit conforms to the provisions
61 of this section and constitutes a portion of a complete audit.

62 (4) A complete audit of each portion of each gas company or electric
63 distribution company having more than seventy-five thousand
64 customers shall begin no less frequently than every six years, so that a
65 complete audit of such a company's operations shall be performed
66 every six years. Such an audit of each such company having more than
67 seventy-five thousand customers shall be updated as required by the
68 authority.

69 (5) The results of an audit performed pursuant to this section shall
70 be filed with the authority and shall be open to public inspection.
71 Upon completion and review of the audit, if the person or firm
72 performing or supervising the audit determines that any of the
73 operating procedures or any other internal workings of the affected
74 public service company are inefficient, improvident, unreasonable,
75 negligent or in abuse of discretion, the authority may, after notice and
76 opportunity for a hearing, order the affected public service company to
77 adopt such new or altered practices and procedures as the authority
78 shall find necessary to promote efficient and adequate service to meet
79 the public convenience and necessity. The authority shall annually
80 submit a report of audits performed pursuant to this section to the
81 joint standing committee of the General Assembly having cognizance
82 of matters relating to public utilities which report shall include the
83 status of audits begun but not yet completed and a summary of the
84 results of audits completed. Any such report may be submitted
85 electronically.

86 (6) All reasonable and proper costs and expenses that are consistent
 87 with the provisions of subdivision (2) of this subsection, as determined
 88 by the authority, of complying with any order of the authority
 89 pursuant to this subsection shall be recognized by the authority for all
 90 purposes as proper business expenses of the affected company.

91 (7) After notice and hearing, the authority may modify the scope
 92 and schedule of a management audit of a telephone company which is
 93 subject to an alternative form of regulation so that such audit is
 94 consistent with that alternative form of regulation.

95 Sec. 2. Section 16-18a of the general statutes is amended by adding
 96 subsection (d) as follows (*Effective October 1, 2017*):

97 (NEW) (d) Notwithstanding subsections (a) and (c) of this section,
 98 all reasonable and proper expenses of any consultants and consultant
 99 services borne by a (1) public service company providing
 100 telecommunications services, (2) telecommunications company, or (3)
 101 person seeking certification to provide telecommunications services,
 102 shall not exceed two hundred thousand dollars per calendar year for
 103 all dockets and audits performed pursuant to this section and section
 104 16-8, as amended by this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2017</i>	16-8(b)
Sec. 2	<i>October 1, 2017</i>	16-18a

ET *Joint Favorable Subst.*